

Senate File 496 - Introduced

SENATE FILE 496
BY COMMITTEE ON LABOR AND
BUSINESS RELATIONS

(SUCCESSOR TO SSB 1147)

A BILL FOR

1 An Act prohibiting employers from entering into noncompete
2 agreements with low-wage employees.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. **94.1 Definitions.**

2 As used in this section, unless the context otherwise
3 requires:

4 1. "*Confidentiality agreement*" means an agreement between
5 an employer and employee by which an employee agrees not to
6 disclose specified information designated by the employer as
7 confidential.

8 2. "*Employee*" means a natural person who is employed in this
9 state for wages by an employer.

10 3. "*Employer*" means a person, as defined in chapter 4, who
11 in this state employs for wages an employee.

12 4. "*Low-wage employee*" means an employee who earns an hourly
13 wage that is less than or equal to fourteen dollars and fifty
14 cents.

15 5. *a.* "*Noncompete agreement*" means an agreement between an
16 employer and a low-wage employee that restricts the low-wage
17 employee from performing any of the following:

18 (1) Work for a different employer for a specified period of
19 time.

20 (2) Work in a specified geographical area.

21 (3) Work for a different employer that is similar to the
22 low-wage employee's work for the employer who is a party to the
23 agreement.

24 *b.* "*Noncompete agreement*" does not include any of the
25 following:

26 (1) A nonsolicitation agreement.

27 (2) A confidentiality agreement.

28 (3) An agreement prohibiting use or disclosure of trade
29 secrets or inventions.

30 6. "*Nonsolicitation agreement*" means an agreement between
31 an employer and employee that prohibits solicitation by
32 an employee, upon termination of employment, of any of the
33 following:

34 *a.* An employee of the employer to leave employment by the
35 employer.

1 *b.* A customer of the employer to cease or reduce the extent
2 to which the customer does business with the employer.

3 Sec. 2. NEW SECTION. 94.2 Noncompete agreements with
4 low-wage employees prohibited.

5 1. An employer shall not require a low-wage employee to
6 enter into a noncompete agreement.

7 2. A noncompete agreement entered into between an employer
8 and a low-wage employee on or after the effective date of this
9 Act shall be void and unenforceable.

10	EXPLANATION
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11 The inclusion of this explanation does not constitute agreement with
12 the explanation's substance by the members of the general assembly.

13 This bill prohibits an employer from requiring a low-wage
14 employee to enter into a noncompete agreement. The bill
15 provides that such agreements entered into between an employer
16 and a low-wage employee on or after the effective date of the
17 bill shall be void and unenforceable.

18 The bill defines a "low-wage employee" as an employee who
19 earns an hourly wage that is less than or equal to \$14.50. The
20 bill defines "noncompete agreement", with specified exclusions,
21 as an agreement between an employer and a low-wage employee
22 that restricts the low-wage employee from performing work for
23 a different employer for a specified period of time, work
24 in a specified geographical area, or work for a different
25 employer that is similar to the low-wage employee's work for
26 the employer who is a party to the agreement.